



FEDERAL ELECTION COMMISSION

WASHINGTON, D C 20463

Arizona Republican Party and
Woody Martin, in his official capacity
as treasurer
3501 North 24th Street
Phoenix, Arizona 85016

JUL 8 2005

RE: MUR 5581
Arizona Republican Party and
Woody Martin, in his official
capacity as treasurer

Dear Mr. Martin:

On November 1, 2004, the Federal Election Commission notified Arizona Republican Party ("Committee") and Dennis Booth, as treasurer, at that time, of a complaint alleging violations of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint was forwarded to Mr. Booth at that time.

Upon further review of the allegations contained in the complaint, and information supplied by Mr. Booth, the Commission, on June 23, 2005, found that there is reason to believe the Committee and you, in your official capacity as treasurer, violated 2 U.S.C. § 441a(a) and 434(b), provisions of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office along with answers to the enclosed questions within 15 days of receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred

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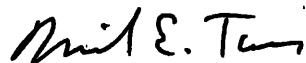
Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public.

If you have any questions, please contact Beth Mizuno, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,



Michael E. Toner
Vice Chairman

Enclosures
Factual and Legal Analysis
Procedures
Designation of Counsel Form

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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Arizona Republican Party and
Woody Martin, in his official capacity as treasurer

MUR: 5581

I. INTRODUCTION

These matters were generated by a complaint filed against the Arizona Republican Party (“ARP”) by Daniel Schneider. The complainant asserts that the Arizona Republican Party (“ARP”) made excessive and unreported contributions to Nader for President 2004 (the “Nader Committee”) in connection with a petition drive to place Ralph Nader on the Arizona ballot during the 2004 Presidential election. The bases of this allegation are: (1) state Republican parties across the country were involved in similar activities; (2) forty-six percent of Arizona voters who signed Nader petitions were Republicans; and (3) individuals associated with ARP were linked to Nader petition-gathering efforts. Complaint at 13-14, ¶¶46-50. The allegations in the complaint specifically focus on the third category, pointing to press reports that Nathan Sproul (“Sproul”), a former Executive Director of ARP, provided funding for signature gathering efforts in Arizona.¹

II. FACTUAL AND LEGAL ANALYSIS

A. FACTS

Complainant alleges that Sproul was “a major source of funding to put Ralph Nader on Arizona’s presidential election ballot,” and that Sproul is the “‘primary source of the money’ for paying for petition circulars to place Nader on the ballot.” Complaint at 13-14, ¶49 (citing a

¹ John Kamman, *GOP Aids Nader, Dem Says; Accused Official Denies Paying for Signature Drive*, The Arizona Republic, June 8, 2004.

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June 8, 2004 article in the Arizona Republic). Nathan Sproul is the owner of Sproul & Associates, Inc. ("Sproul & Associates"), an Arizona-based political consulting firm. According to FEC disclosure reports, the Republican National Committee paid Sproul & Associates over \$3.6 million during the 2004 election cycle, reportedly to register Republican voters in swing states. Barrett Marson, *Ex-Ariz. GOP boss Backs Registrations*, Arizona Daily Star, October 15, 2004.

The available information further indicates that Sproul may have used ARP funds to gather Nader petitions. In its response to the complaint, ARP states that Sproul "has not been an employee of the Arizona Republican Party since 2001." ARP Response at 1. However, in 2004, ARP reported \$231,931 in disbursements to Sproul & Associates for voter registration and consulting. Attachment 4. Various sources have also linked Sproul to efforts to aid the Republican Party by placing Nader on the Arizona ballot. Jon Kamman, *GOP Aids Nader, Dem Says*, The Arizona Republic, June 8, 2004; Max Blumenthal, *Nader's Dubious Raiders*, American Prospect Online, June 25, 2004.

Press reports describe the overlap between the Nader Committee's petition-gathering efforts and Sproul's. According to an article that appeared in the American Prospect, the Nader Committee hired JSM, Inc. ("JSM"), a Florida-based petition contractor, to collect signatures to put Nader on the Arizona ballot. Blumenthal, *supra*. Simultaneously, the article alleges, Sproul & Associates was collecting signatures for an Arizona ballot measure effort, No Taxpayer Money for Politicians, and that "two of the contractors Sproul hired to oversee the petition-gathering for No Taxpayer Money for Politicians . . . were also paid by Sproul to get as many signatures as possible for Nader." *Id.* The article goes on to state that Sproul delivered the

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petitions gathered by his employees to Jenny Breslyn, the owner of JSM—the firm the Nader Committee hired—and that “Breslyn mixed them in with her own [petitions].” *Id.*

B. ANALYSIS

ARP’s response in this matter is misleading insofar as it failed to disclose over \$200,000 in payments to Sproul’s company while stating that Sproul “has not been an employee of the Arizona Republican Party since 2001.”

Amounts spent on promoting a candidate for the general election ballot “by seeking signatures on nominating petitions” are expenditures. *See* 2 U.S.C. § 431(9)(A); *see also* Advisory Opinion 1994-5 (White)(“[E]xpenditures to influence your election would include amounts you spend . . . to promote yourself for the general election ballot by seeking signatures on nominating petitions”). If ARP paid Sproul to gather signatures for the Nader Committee, and Sproul turned the petitions his employees gathered over to JSM, the result would be an excessive in-kind contribution from ARP to the Nader Committee. 2 U.S.C. § 441a(a). Moreover, if ARP failed to report such in-kind contributions, the party would have violated 2 U.S.C. § 434(b).

In light of ARP’s misleading response, its disbursements to Sproul & Associates, Inc., and press reports indicating that Sproul funded petition-gathering efforts in support of the Nader Committee, there is reason to believe ARP violated the Act by making excessive in-kind contributions to the Nader Committee in violation of 2 U.S.C. § 441a(a), and by failing to report in-kind contributions in violation of 2 U.S.C. § 434(b).

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